# The effect of economic stability on family stability among welfare recipients

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Abstract

The main rationale for defining two-parent families eligible for welfare in the United States was to keep families intact by eliminating an incentive for union dissolution. Making aid available to two-parent families does not eliminate other reasons for family instability, most notably women's reduced economic gain from marriage associated with having a chronically unemployed husband. AFDC (Aid to Families with Dependent Children) was replaced with TANF (Temporary Aid for Needy Families) in 1996. TANF differs from AFDC in many respects related to work incentives, time limits, and block grants, yet the question of the relationship of welfare, unemployment, and family instability remains as timely as ever, theoretically and politically. This paper explores the hypothesis that husband's unemployment increases union dissolution among welfare recipients. Data for the analysis were compiled for evaluating the Link-Up demonstration project, which took place in seven counties in California's Central Valley in 1992-1994. A discrete-time event-history methodology was employed to examine family instability. The findings show that husband's unemployment and the family's long-term welfare dependency lead to breakup, net of race, age, and number of children.

Keywords: welfare, family instability, unemployment.

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## Introduction

"No topic," says Charles Murray, "has been more controversial in the discussion of social policy than the effects of such policy on the family" (1984, p.124), as he contributes to this controversy by arguing that by providing income to single and divorced mothers, welfare is a disincentive to marriage and remarriage. Policymakers' response to such claims was to define two-parent families as eligible for welfare, thus supporting these families in periods of extreme economic hardship and eliminating an incentive for union dissolution. Making aid available to two-parent families does not eliminate other reasons for family instability, most notably, women's reduced economic "gain from marriage" associated with having a chronically unemployed husband. In this study, I examine the effect of income and men's unemployment on family instability among welfare recipients. The 1996 welfare reform initiative replaced AFDC (Aid to Families with Dependent Children) with TANF (Temporary Aid for Needy Families). Though the new program differs from AFDC in many respects related to work incentives, time limits, and block grants, the question of the relationship of welfare, unemployment, and family instability remains as timely as ever, theoretically and politically.

This study contributes to the debate on the relationship between welfare policy and family stability in two general ways, the first contribution is methodological and the second is theoretical. In terms of method and analysis, in this study I use household-level data on welfare recipients to examine the relationship between household income and family instability. This analytical strategy provides a more direct test than possible in studies that examine the effect of the level of welfare grants in the state of residence on union dissolution. The test is more direct

because the research sample represents welfare recipients rather than the entire population. Welfare recipients are more likely to be directly affected by welfare policy than the general population, a large portion of which is not at risk of receiving welfare. In addition, I use a household-level measure of welfare policy that indicates the amount of welfare the household received. This measure is more direct than contextual variables indicating the average level of welfare in the state, often used in analyses of nationally representative samples.

This study's theoretical contribution is its focus on men's economic activity rather than women's. Much of the sociological literature on family instability has focused on women's earnings, perhaps because the rise in married women's employment coincided historically with a rise in marital dissolution. Theoretically, two opposing claims have been made: women's work (1) diminishes the likelihood of divorce because their additional income provides stability to the household ('income effect'), or (2) women's work increases the likelihood of divorce because income from work makes women financially independent of their husbands thus reducing the gain from marriage ('independence effect'). Both theoretical claims assume that the husbands are employed, and that husbands' employment is not affected by their wives' employment. In this study I focus on families with unemployed or underemployed husbands, and investigate the effect of income from husbands' earnings, wives' earnings and welfare grants on family instability. I reformulate the hypothesis regarding the reduced gain from marriage and ask whether husband's unemployment increases the likelihood of breakup. I hypothesize that having a chronically unemployed husband increases union dissolution whereas income from all sources has a stabilizing effect on families.

Wife's Employment and Union Dissolution

The debate on the economic causes of divorce is grounded in Becker's (1981) argument that the increased economic independence of women, resulting from their labor force participation, led to a reduction in their economic motivation for marriage. "The gain from marriage is reduced by a rise in the earnings and labor force participation of women . . . because a sexual division of labor becomes less advantageous . . . And divorce is more attractive when the gain from marriage is reduced" (Becker, 1981, p. 248). Accordingly, many studies set out to examine the effect of women's employment and earnings on marital dissolution. Findings regarding the effect of women's economic independence on breakup have seemed ambiguous, as women's employment has been found to increase marital dissolution (Ruggles, 1997; South, 2001; South & Spitze, 1986; Spitze & South, 1985), yet wives' income reduces it (Greenstein, 1990; Hoffman & Duncan, 1995; Tzeng & Mare, 1995). Explanations have been brought forth to reconcile this contradiction, for example, it is difficult to determine causation, as women in troubled marriages may foresee their upcoming dissolution, and increase their labor force activity (Johnson & Skinner, 1986; Oppenheimer, 1997a). In addition, the effect of women's employment (measured by hours worked) may conceal the effect of women's absence from the home, which may affect the division of labor within the household and the quality of a marriage and lead to breakup (Presser, 2000; Spitze & South, 1985). Though women's employment violates the traditional division of labor in the household, the finding that women's income has a stabilizing effect on marriages (Hoffman & Duncan, 1995; Tzeng & Mare, 1995), suggests that women's employment does not, in itself, increase marital dissolution. Instead, women's employment may contribute to the stability of a marriage, and may serve as a crucial

"supplementary support mechanism," especially during periods of economic hardship (Oppenheimer, 1997b).

In an attempt to identify the point at which women's earnings reduce the gain from marriage, researchers have conceptualized women's economic independence as wives' earnings relative to their husbands' and have found a non-linear effect of relative earnings on marital disruption (Heckert et al., 1998; Ono, 1998). Still, wives' high relative earnings may indicate husbands' low earnings rather than wives' high absolute earnings (Oppenheimer, 1997b). Indeed, Tzeng and Mare (1995) found that couples where the wife works much more than her husband have higher rates of marital disruption than couples where the husband works much more than his wife, suggesting that husbands' low work effort and earnings may have a negative effect on marital stability.

Husband's Employment and Union Dissolution

By the logic of Becker's argument, the advantages of the traditional sexual division of labor in the family are reduced when the husband is unemployed. Cherlin (1979) finds that the stability of husbands' employment, rather than the absolute level of earnings, is an important determinant of marital dissolution. In these terms, having an unemployed husband greatly reduces the wife's gain from marriage, and is likely to make divorce (or separation) more attractive, especially if the wife has an alternative source of income. Similarly, studies have shown that economic stability is a central factor in the decision to enter marriage. For example, in their study of the Fragile Families project, McLanahan, Garfinkel and Mincy (2001) report that a great majority of unmarried parents rated "husband having a steady job" (90%) and "wife have a steady job" (69%) as important for a successful marriage (p. 2). Others have found that the deterioration in the economic position of

young men has an effect of delaying marriage, which ultimately causes a decline in marriage rates (Oppenheimer & Lewin, 1999; Oppenheimer et al., 1997). Wilson and Neckerman (1987) argued that the high rates of unemployment among black men caused a decline in marriage rates among black women (see also Bennett et al., 1989; Lichter et al., 1992 for a similar argument). Moffit (2000) finds that the decline in the wages of less-educated men was a primary factor in the increase in female headship.

Welfare and Union Dissolution

Becker argued that welfare ". . . substitutes for husband's earnings" (1981, p. 252), and that welfare may reduce the gain from marriage. Though studies have shown that economic hardship is associated with marital instability (Conger et al., 1990), and that marital dissolution occurs more frequently in families on welfare than in the general population (e.g., Rank, 1994), there is little evidence that welfare destabilizes marriages (Blackburn, 2003; Cherlin, 1979; Danziger et al., 1982; Draper, 1981; Garfinkel & McLanahan, 1986; Hoffman & Duncan, 1995; Moffitt, 1992; Rank, 1987). Instead, studies have demonstrated that welfare reduces divorce and that the rise in female headship could not be explained by welfare support (Bitler et al., 2002; Darity & Myers, 1984; Hoynes, 1997; Lichter et al., 1997; Sweezy & Tienfenthaler, 1996; Zimmerman, 1994). In fact, recent studies suggested that more relaxed welfare policies may have a positive effect on family stability. Findings from the Minnesota Family Investment Program (MFIP) show that increasing work incentives among welfare recipients increases their employment and earnings and has a positive effect on family stability among two-parent families on aid (Gennetian, 2003).

The SIME/DIME negative income tax (NIT) experiment, which set out to test the effects

of providing various levels of income maintenance on work incentives and marital dissolution has been analyzed in several studies, producing contradictory findings. Hannan**,** Tuma, and Groeneveld (1978) found a non-linear effect of NIT on rates of marital dissolution, and argued that once NIT grants reach a certain size, an "income effect" becomes evident, improving living standards and reducing separation (Groeneveld , Tuma & Hannan, 1980). Cain and Wissoker (1990) analyzed the same data and concluded that NIT might have affected the timing of marital breakup, but it did not increase its incidence. Hannan and Tuma's (1990) response to Cain and Wissoker's (1990) contradictory findings was that they used different models on a different population and defined different variables. That the findings are so sensitive to model specification demonstrates that they are not robust, and the question remains open for further investigation.

The current administration's emphasis on promoting marriage among single mothers as a means to reduce poverty has sparked an interest in the relationship between welfare policy and marriage. Thomas and Sawhill (2002) conducted simulations and find that child poverty rates would be reduced if single, non-cohabiting mothers married. Yet, empirical findings from demonstration projects are less straightforward. For example, in a Canadian project, generous earnings supplements increase marriage in one province, and reduce it in another (Harknett & Gennetian, 2003). Findings from the Work First New Jersey (WFNJ) project show that very few never-married women marry after entering TANF, and the duration of these marriages is very short (Wood, Rangarajan & Deke, 2003). In their meta-analysis of fourteen different welfare reform programs, Gennetian and Knox (2003) found no convincing evidence that programs designed to increase employment and earnings have any effect on increasing marriage and

cohabitation among welfare recipients.

In this study I explore the effect of income and husband's unemployment on family instability among welfare recipients. I examined a large sample of women in California, living in two-parent families and on welfare due to husbands' unemployment (or underemployment), and I focused on the choices available to them. Marital dissolution, or breaking up a union is, of course, a rare event**.** Yet I could trace three alternative paths open to two-parent families on welfare: they could go off aid entirely, they could remain together as a family and on aid, or they could dissolve their unions and qualify for aid as single parents. Union dissolution also occurs among those leaving aid, but the current study focused on instability among families on welfare. The main goal of this study was to identify and measure the factors associated with the choice of (a) dissolving a union with a spouse or (b) staying together under conditions of severe economic hardship.

## DATA, METHOD, AND VARIABLES

### Data

Aid to Families with Dependent Children – Unemployed Parent (AFDC-U), was established in 1961, and allocated federal funds to states that extended aid to children with able-bodied unemployed parents. Giving states the option of extending eligibility to unemployed two-parent families was a measure to eliminate any previous incentive there might have been to family breakup in order to qualify for welfare. In 1990 all states were mandated to have an AFDC-U program. Still, AFDC and AFDC-U participants differed substantially in their work history. Eligibility for the AFDC-U program required that at least one parent demonstrated significant attachment to the labor market and this parent was restricted to work no more than 100 hours per

month while receiving aid. By imposing this 100-hour work limit, the AFDC-U program targeted assistance to children with unemployed parents. The Link-Up demonstration project examined the effect of eliminating the 100-hour work limit by randomly assigning AFDC-U recipients to experiment and control groups, where the experiment group had the 100-hour rule waived. One of the rationales for the 100-hour rule waiver was to make the AFDC-U program more similar to the AFDC single parent program, and to eliminate an incentive for two-parent families to breakup to qualify for aid. In this study I used data compiled for evaluating the Link-Up demonstration project (see Hasenfeld et al., 1996; Lewin, 2001; Lewin & Maurin, 2002) to examine the effect of husbands' unemployment and long-term welfare dependency on family instability among two-parent families on AFDC-U. The sample for the current study included 3546 two-parent families receiving welfare in seven counties in central California in 1992, and followed them for two years, measured in eight quarters. Though the 1996 welfare reform initiative replaced AFDC with TANF, California eligibility requirements for the two-parent program were not affected by TANF, thus the current study remains both timely and relevant.

Welfare benefits (AFDC-U and TANF) are available to two-parent families, regardless of whether the parents are married, as long as they are the biological (or adoptive) parents of the children in the household (see Winkler, 1995 for details of AFDC-UP eligibility and Moffit, Reville & Winkler, 1998 on estimates of cohabitation among AFDC mothers). Therefore, in this study I examined breakup, instability, or the dissolution of cohabiting and marital unions on aid. In terms of policy, this sample adequately represents the population of two-parent families on aid and is therefore the appropriate sample for study. There was no attempt here to generalize to the population not on welfare. In terms of general theory, though there is a debate whether

cohabitation is as beneficial for children as marriage, there is no argument that living in a stable two-parent family has better outcomes for children than living in a single-parent family (McLanahan & Sandfur, 1994).

As with many other studies examining the relationship between policy and family outcomes, the data became available for the initial goal of evaluating welfare reform, and not for studying union dissolution (Gennetian & Knox, 2003). Nonetheless, the data set evinced some notable advantages for the current investigation because it included more detailed information than usually available to researchers using survey data. For example, rather than being based on retrospective data, welfare history was obtained from welfare records, and earnings were reported by employers rather than by welfare recipients. An additional advantage of this data set was that it provided me with a unique "instrumental" variable. This variable (being randomly assigned to the Link-Up experiment group) was not correlated with the independent variables, and was not related to the dependent variable, but was a predictor to being on aid, and was therefore useful in correcting for the selection of being on aid. The drawback of using administrative records rather than survey data was that other important variables, such as education and year of marriage, were not available for analysis because they were not collected by welfare agencies.

The study drew from three data sources: County Administrative Data (1992-1994); California Employment Development Department (EDD) data, including Unemployment Insurance and Disability Insurance (UI/DI) data (1985-1994); and Medi-Cal Eligibility Data System (MEDS) data (1987-1994). County Administrative Data provided information on monthly welfare grant amount, Link-Up status, race and age. Employment Development Department data (EDD) provided quarterly reports of wages by employers of all employees

covered by UI (Unemployment Insurance) or DI (Disability Insurance). Welfare recipients in the sample with no employer-reported earnings are recorded as having no earnings. Though certain types of employees are exempt from UI/DI (e.g., casual labor earning less than $50 in a quarter), these employer-reported earnings are expected to be much more reliable than self reported earnings that tend to be under-reported because they are deducted from the welfare grant.

The state of California administers the Medi-Cal Eligibility Data System (MEDS), which is a longitudinal database of Medi-Cal recipients. MEDS maintains a record for each individual who has been reported as Medi-Cal eligible and, because AFDC recipients were automatically eligible for Medi-Cal, MEDS records include information on all AFDC recipients. These files include annual welfare history dating back to 1987, and monthly aid codes, which were used to identify cases that moved from AFDC-U (two-parent family) to AFDC-FG (single parent), the main dependent variable in the study.

Method

The current analysis of family instability employed a discrete-time event-history methodology, with the household-quarter as the unit of analysis (Allison 1982; Yamaguchi 1991). In household-quarter files there is a separate record for each household for each quarter that the mother remains in a union and on aid, plus the quarter in which a transition occurs. Once a union dissolves or a family goes off aid it is no longer exposed to the risk of dissolution or going off aid, and the following quarters observed for the case are removed from the data set. The dependent variable in the analysis is whether a transition, either going off aid or breaking up a union, occurred between the two quarters. There are two types of explanatory variables in the current analysis, constant and time varying. Explanatory variables that do not change by quarter

are race and welfare history. Other explanatory variables are time-varying covariates (e.g., mother's employment and earnings, father's employment and earnings, welfare grant amount) and the values used to predict transition are those in the preceding quarter, each quarter at risk.

I compared two distinct analytical procedures to analyze these data, both using the discrete-time event-history approach described above, to ascertain that the results were robust to method and model specification, and especially to deal with selection bias. The selection problem here was that information on family instability was available only for families on aid, so it was necessary to take into account the probability of going off aid, in each quarter. First, a multinomial regression was utilized to estimate the odds of going off aid or breaking up a union during a quarter, given that the respondent was in a union and on aid the preceding quarter. The multinomial model does not directly correct for the selection of being on aid, instead it estimates the odds of being off aid and the odds of union dissolution (vs. being on aid and in a union) simultaneously. The second procedure applied here was a Heckman two-stage regression (with a binary dependent variable) whereby the selection of being on aid in each quarter is corrected, and the analysis focused on the odds of union breakup, for those families selected on aid. The Heckman correction for selection bias was strengthened by use of an instrumental variable that does not predict the dependent variable (breakup) but does predict the selection variable (being on aid). The instrumental variable sets out to overcome the self-selection problem by identifying a source of variation in going off aid that is unrelated to the unobserved variables that influence breakup. An instrumental variable must meet two conditions, first, it must predict going off aid and second, it must be uncorrelated with the unobserved factors that affect breakup. In this particular case, the instrumental variable indicates being randomly assigned to the Link-Up

experiment group. Due to randomization, this variable was not correlated with the other independent variables such as race, age, and family size. The Link-Up experiment had no effect on earnings, employment, or marital breakup, but did have an effect on time on aid (Hasenfeld et al., 1996; Lewin, 2001), so it was an appropriate instrumental variable for correcting for the bias of selecting cases on aid.

Variables

The dependent variable has three categories representing the options available to welfare recipients in two-parent families: (1) remaining in a union and on aid, (2) being on aid as a single parent, meaning that a breakup has occurred, and (3) being off aid. Breakup is measured as a movement from one type of aid (AFDC-U: Unemployed parent, i.e., two-parent family) to another (AFDC-FG: Family Group, i.e., single parent). Movement from one aid code to another indicates only that a family applied for aid and the eligibility worker moved the case from two-parent AFDC to single-parent. This proxy for union dissolution is therefore problematic in two ways. First, this measure does not capture changes in marital status that occur after the family goes off aid, it captures changes only among families that re-apply for aid after the separation. I attempted to correct for this selection bias using the statistical procedures described above. In terms of theory, I was concerned with the relationship between welfare and breakup, and wanted to focus on families who re-apply for aid after the breakup. The second problem is that because separation occurs more frequently than dissolution and divorce, and may be more temporary, the dependent variable may overstate the incidence of union dissolution. Nonetheless, this variable reflects family instability, if not always a permanent dissolution. The dependent variable allows for the time it may take to re-apply for aid and for some ‘administrative churning’ and was

defined as follows: The category ‘off aid’ indicates the case was off aid for the entire three-month period in a quarter. The category ‘on AFDC-U’ indicates the case was on AFDC-U for at least one month during the quarter, and was never on AFDC-FG during the quarter. The category ‘on AFDC-FG’ indicates the case was on AFDC-FG for at least one month during the quarter.

There are two alternative scenarios in which men and women may manipulate the welfare system (and perhaps each other), that cannot be identified in the current study. First, there may be an incentive for women to transfer to aid as single parents in order to maintain eligibility for aid when their fathers find employment and the family is no longer eligible for aid due to parent unemployment, even if no breakup has occurred. Second, it is also feasible to imagine a situation where fathers leave the household when they find employment because they no longer need the support of their families’ welfare grant, and they do not contribute their earned income to the family.

Independent variables: Aid history is measured as a binary variable distinguishing cases new to aid at Q1 (the first quarter in the study) from cases with a recent aid history (measured as cases receiving welfare support any month during the two-year period prior to the study). Aid history was important in the current investigation because it is an indicator of the chronicity of poverty and unemployment in the household.

Other independent variables are woman’s race, age, and number of children in the household. I controlled for race in the analysis, because studies have shown different rates of marital dissolution by race (e.g., Hoffman & Duncan, 1995). I included age as a control variable, which may be related to duration of marriage, that is related to the propensity to divorce (South, 2001). Having children is a condition of eligibility to welfare, therefore, all couples in the sample

at Q1 had at least one dependent child in the household. Number of children is expected to have a negative effect on dissolution, because children have a stabilizing effect on families and because couples who feel they are at risk of separating may have fewer children (Lillard & Waite, 1993). I included time-varying covariates measuring fathers' and mothers' employment, earnings, and grant amount (per person) in the preceding quarter. Mothers' and fathers' employment was a binary variable indicating whether the parent had any earnings during the previous quarter. I used welfare grant amount per person in the household in order to reduce the correlation between total welfare grant and number of children, because welfare grants increase with family size. Reported earnings are deducted from the welfare grant at a rate of about 67% - 100%, depending on the number of months of employment (the thirty and a third rule), therefore there is a negative relationship between grant and earned income. To contain the offsetting relationship between earnings and welfare grant and to test for the overall effect of income on family stability I included a measure of total household income, which combined all earned income and welfare grant. The time-varying independent variables are measured in the quarter preceding the transition. Hence, high earnings correspond to low grant and to high odds of being off aid the following quarter. The relationship between grant and the odds of breakup is more complex because of the time it may take to re-apply for aid. If the case goes off aid during a quarter and re-applies as a single parent family the same quarter there is no problem in predicting breakup with grant in previous quarter. However, if the case goes off aid during a quarter and re-applies as a single parent family the following quarter, the case may appear to have a low grant the quarter prior to breakup. In this case, the apparent relationship between grant and breakup reflects measurement problems rather than a stabilizing effect of welfare grants. Data are not

available to solve this measurement problem, so I advise caution and I do not interpret the results regarding the direct effect of welfare grants on breakup. Fortunately, income and employment data do not suffer this measurement deficiency because they were derived from an independent source, and results regarding earnings and employment are more reliable.

The Link-Up experiment was included in the multinomial regression as an independent variable because it had a significant effect on the odds of going off aid entirely, and as an instrumental variable (predicting selection on aid) in the two-stage regression model. I also controlled for quarter (duration) in the experiment. All cases were on aid as two-parent families in the first quarter.

FINDINGS:

Table 1 shows the percent distribution, means, and descriptions of the variables included in the analysis at Q1. The great majority of cases in the sample had been on aid in the two-year period prior to the study, and only 16% were new to aid at the beginning of the study (Q1). Almost half of the mothers in the sample were Latina (47%) and 37% were white. Asians represented above 13% of the sample of two-parent families on welfare in this period in California's Central Valley, mainly due to Hmong (or Laos) refugees, and African-Americans represented a small minority (2.4%) of this population. About a third of the mothers were younger than 25 years and about 22% were over age 35. The mean number of children in a two-parent family on aid was almost three. About one third of the fathers and 13% of the mothers had some income during the first quarter under investigation; the mean men's income for the first quarter was $632 and the mean women's income was $205. Between 4 to 6% of cases moved from AFDC-U to AFDC-FG each quarter, and between 6 – 10% of cases went off aid each quarter (not shown). Overall, about 40%

of the families in the sample experienced no transition throughout the two-year period under observation. For almost 21% of the sample the first transition was to move to AFDC-FG and for about 40% of the sample it was to move off aid. Though some of these transitions were followed by additional transitions, in the current event history analysis I focus on first transitions.

- Table 1 about here –

In the following analysis I tested whether income, father's unemployment, and long-term aid dependence among two-parent families on aid affected the odds of union breakup. Table 2 shows multinomial regression coefficients predicting the odds of going off aid and breaking up, in contrast to staying in a union and on aid. I compared three models: Model 1 included a measure of total household income, while Model 2 decomposed household income and examined the net effects of each of its components**:** mother's earnings, father's earnings, and welfare grant (per person). Model 3 measured the net effect of employment (vs. unemployment) of the father and mother. The results concerning the odds of going off aid vs. staying on aid as a two-parent family were as expected; having no recent aid history increased the odds of going off aid in contrast to staying on aid as a two-parent family. Model 1 shows that the higher the total household income, the higher the (log) odds of going off aid. Model 2 showed that earned income had a positive effect on going off aid, whereas welfare grant had a negative effect. This is not surprising, as cases with earned income have lower welfare grants, because as explained earlier, earnings (67%-100%, depending on number of months on welfare) are deducted from the grant. Finally, Model 3 showed that having employed parents in the household increased the odds of going off aid.

The odds of staying on aid as a single mother (breakup), vs. staying on aid as a two-parent

family are presented in the second column of each model, and were the focus of the current study. The results here show that being new to aid reduced the odds of breakup, suggesting that families that have suffered long-term economic hardship are less stable, and have higher odds of breakup than families new to aid, net of the other variables in the equation. There were also substantial differences in odds of breakup by race: African Americans had higher odds of breakup and Latinos and Asian had lower odds than whites (the reference category). Differences in union dissolution by race may be due to a variety of reasons, such as religion and cohabitation, which cannot be examined with the current data set. For example, it is likely that there is a high percentage of Catholics among the Latinos, and they may be less tolerant of divorce than members of other religions. African-Americans have higher rates of cohabitation than whites and Latinos (Cancian & Reed, 2001), and cohabiting unions may be less stable than marriages. Younger women were more likely to experience breakup than older women, net of the other variables in the equation. Model 1 showed that total household income reduced the odds of breakup, supporting the theory that overall economic stability improves family stability. Moreover, Model 2 showed that all the components of household income reduced the odds of breakup, though the effects were not statistically significant. Model 3 further showed that father's employment (vs. father's unemployment) reduced the odds of breakup net of the other variables in the equation. The finding that long-term welfare dependence and fathers' unemployment increased the odds of marital instability are consistent with the theory that father's chronic unemployment reduces the gain from marriage and increases the odds of breakup. These findings run counter to the argument that by substituting for father's earnings, mothers' earnings induce breakup.

- Table 2 about here –

The findings suggested that father's unemployment increased family instability, net of other variables in the equation. To test these findings' sensitivity to the bias caused by selecting cases on aid, I conducted a two-stage Heckman correction for selection, with an instrumental variable. The results are presented in Table 3 (the selection equation itself is presented in Appendix A). Overall, the findings were consistent with those from the multinomial regressions, but there are some differences. In contrast to the insignificant effects in Table 2, the effect of both parents' earnings on breakup was negative, and statistically significant at the 0.05 level (Table 3 Model 1). These results suggested that mother's earnings have a stabilizing effect on families, contrary to the argument that mother's earnings tend to reduce the gain from marriage and induce breakup. Model 2 showed that father's employment had a statistically significant negative effect on breakup, again suggesting that income has a stabilizing effect on families. Both Models 1 and 2 showed that cases new to aid had lower odds of breakup than cases with welfare histories at Q1, suggesting that, among welfare recipients, the chronicity of poverty has an effect on breakup. The number of children in the household reduced breakup, both in Models 1 and 2, while their effect was statistically insignificant in the multinomial regressions in Table 2.

In sum, the correction for selection bias due to being on aid strengthened the results, and the stabilizing effects of earnings on families, which were not statistically significant in the multinomial model (Table 2 Model 2) were statistically significant in the two-stage model (Table 3 Model 1). Findings from both methods support the hypothesis that long-term poverty and father's unemployment increase family instability. The findings do not support the hypothesis that mother's earnings reduce the gains from marriage and increase breakup.

## DISCUSSION

Recent policy interest in promoting two-parent families has focused on two different types of low-income families, with two different policy goals; first, there is the policy goal of promoting marriage and cohabitation among single mothers and second, there is the goal of increasing the stability of low-income two-parent families. The current study contributes to the latter goal. In this study I asked whether economic stability improves family stability among welfare recipients, and found, overall, that it does. Household income reduces the odds of union dissolution whereas father's unemployment and chronic poverty increase these odds. This study has important implications for the politically-loaded debate on the relationship between the welfare state and the retreat from marriage. The 100-hour rule waiver (Link-Up) had no effect on family stability probably because it had no effect on earnings and employment. The findings suggest that income from all sources increase family stability of welfare recipients and that father's non-employment (or under-employment) leads to breakup, net of race, age and number of children. The policy implication is that promoting employment among parents in two-parent families strengthens families. In addition, making welfare available to two-parent families strengthens these families during periods of economic hardship due to unemployment or underemployment.

Studies have shown that being on welfare may have the indirect effect of creating dependency, as recipients become less employable because they lose work skills (see Harris, 1993 and 1996 for a discussion of the complex relationship of recent job experience, welfare, and employment of single mothers). The current study has shown that having a welfare history is detrimental to the stability of families. The deterioration of employability and labor market skills may be the mechanism through which this occurs. The policy implication is, again, to focus

attention on increasing the job skills and market opportunities of unemployed and low-income parents.

This study also has important theoretical implications. The finding that women's earnings and employment strengthen families is inconsistent with the theory that women's economic independence reduces the gains from marriage and leads to union dissolution. In this study of welfare recipients, it is clear that earnings from all sources have a stabilizing 'income effect' rather than a destabilizing 'independence effect.' The finding that men's unemployment leads to family instability shifts the emphasis from women's economic activity to men's. These findings suggest that among welfare recipients, women's gains from marriage are reduced when the man in the household is economically inactive rather than when the woman is economically active. The general theoretical implication is that studies of union stability should focus not only on changes in women's economic independence and the reduced gains from marriage due to women's earnings but also on fluctuations in men's earnings and the effect of men's employment (or lack thereof) on family wellbeing.

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*TABLE 1 – VARIABLE DEFINITION and PERCENT DISTRIBUTION, MEANS (STANDARD ERRORS) of VARIABLES in the ANALYSIS, Q1 (N = 3546).*

| Variable name | Variable definition | Dependent variable |
|---|---|---|
| Aid status | 1) Off aid<br>2) Breakup (on AFDC-FG, single parent)<br>3) On AFDC-U (reference category). | |
| Independent variables | | |
| Aid history (New-to-aid) | Binary variable indicating that neither parent had been on aid in the two-year period prior to the investigation. | 16.1% |
| Mother's ethnicity | Categorical variable representing 4 ethnic groups:<br>1) White (reference category, omitted from regressions);<br>2) Latina;<br>3) African American;<br>4) Asian. | <br>36.9%<br>47.2<br>2.4<br>13.4 |
| Mother's age | 1) Under age 25;<br>2) Between ages 25 and 35;<br>3) Over age 35 (reference category, omitted from regressions). | 34.3%<br>43.9<br>21.8 |
| Number of children | Continuous variable indicating number of children in the household. | 2.96<br>(1.67) |
| Father employed | Binary variable indicating father had earned income in quarter prior to outcome. | 32.7% |
| Mother employed | Binary variable indicating mother had earned income in quarter prior to outcome. | 12.9% |
| Father's income | Continuous variable indicating father's income ($) in quarter prior to outcome. | 632<br>(1276) |
| Mother's income | Continuous variable indicating mother's income ($) in quarter prior to outcome. | 205<br>(710) |
| Welfare income | Continuous variable indicating welfare grant amount ($) per person in quarter prior to outcome. | 260<br>(211) |
| Total household income | Continuous variable indicating total income (earned and welfare grant) ($) in quarter prior to outcome. | 1895<br>(1410) |
| LINK-UP experiment | Binary variable indicating that the case was in the LINK-UP experiment group. | 75% |
| Quarter | Variable that ranges from 1 – 8, indicating period. | |

*TABLE 2 – MULTINOMIAL REGRESSION COEFFICIENTS (STANDARD ERRORS) PREDICTING LEAVING AID and BREAKUP vs. STAYING in a UNION and on AID (N=19718).*

| | Model 1 | | Model 2 | | Model 3 | |
|---|---|---|---|---|---|---|
| | Off aid vs. AFDC-U | Breakup vs. AFDC-U | Off aid vs. AFDC-U | Breakup vs. AFDC-U | Off aid vs. AFDC-U | Breakup vs. AFDC-U |
| Quarter | -0.010 | 0.019 | 0.044 ** | 0.040 ** | 0.050 | 0.041 ** |
| | (.013) | (.015) | (.013 | (.015) | (.124) | (.015) |
| Number of children | -0.239 ** | 0.034 | -0.255 ** | -0.045 | -0.245 ** | -0.047 |
| | (.022) | (.024) | (.023) | (.024) | (.023) | (.024) |
| LINK-UP experiment | -0.277 ** | 0.072 | -0.338 ** | 0.042 | -0.28 ** | 0.043 |
| | (.063) | (.080) | (.067) | (.081) | (.066) | (.081) |
| New to aid | 0.356 ** | -0.722 ** | 0.231 ** | -0.781 ** | 0.208 ** | -0.775 ** |
| | (.074) | (.129) | (.079) | (.130) | (.078) | (.130) |
| Asian | -0.811 ** | -1.119 ** | 0.083 | -0.933 ** | 0.133 | -0.939 ** |
| | (.113) | (.131) | (.120) | (.133) | (.119) | (.133) |
| African-American | -0.251 | 0.545 ** | -0.379 | 0.519 ** | -0.427 | 0.518 ** |
| | (.210) | (.156) | (.220) | (.157) | (.219) | (.157) |
| Latina | -0.052 | -0.634 ** | -0.435 ** | -0.781 ** | -0.402 ** | -0.771 ** |
| | (.061) | (.073) | (.066) | (.075) | (.065) | (.075) |
| Under age 25 | -0.062 | 0.409 ** | -0.046 | 0.395 ** | -0.090 | 0.405 ** |
| | (.079) | (.100) | (.085) | (.101) | (.083) | (.101) |
| Between ages 25 and 35 | -0.079 | 0.170 | -0.062 | 0.166 | -0.064 | 0.170 |
| | (.074) | (.094) | (.079) | (.095) | (.078) | (.095) |
| Household income | 0.020 ** | -0.017 ** | | | | |
| | (.002) | (.003) | | | | |
| Mother's earnings | | | 0.028 ** | -0.008 | | |
| | | | (.003) | (.006) | | |
| Father's earnings | | | 0.025 ** | -0.002 | | |
| | | | (.002) | (.003) | | |
| Mother employed | | | | | 0.339 ** | -0.113 |
| | | | | | (.075) | (.106) |
| Father employed | | | | | 0.219 ** | -0.171 * |
| | | | | | (.061) | (.075) |
| AFDC grant per person | | | -0.501 ** | -0.253 ** | -0.559 ** | -0.259 ** |
| | | | (.019) | (.020) | (.019) | (.019) |
| Intercept | -1.911 | -2.460 | -0.469 | -1.806 | -0.230 | -1.752 |
| Chi square | 662.1 | | 2102.9 | | 1891.4 | |
| Df | 20 | | 24 | | 24 | |
| P | .000 | | .000 | | .000 | |

Note: Household income, mother's income, father's income, and welfare grant amount were divided by 100.
** p<0.05 ** p<0.01*

*TABLE 3 – PROBIT REGRESSION COEFFICIENTS (STANDARD ERRORS) PREDICTING BREAKUP vs. STAYING in a UNION and on AID, CONDITIONED on BEING on AID (HECKMAN SELECTION N=18015).*

| | Model 1 | Model 2 |
|---|---|---|
| Quarter | 0.020 ** | 0.020 ** |
| | (.007) | (.007) |
| Number of children | -0.022 * | -0.023 * |
| | (.010) | (.011) |
| New to aid | -0.354 ** | -0.354 ** |
| | (.057) | (.058) |
| Asian | -0.431 ** | -0.436 ** |
| | (.058) | (.058) |
| African-American | 0.258 ** | 0.264 ** |
| | (.082) | (.083) |
| Latina | -0.362 ** | -0.364 ** |
| | (.035) | (.036) |
| Under age 25 | 0.176 ** | 0.182 ** |
| | (.047) | (.048) |
| Between ages 25 and 35 | 0.064 | 0.066 |
| | (.043) | (.043) |
| Mother's earnings | -0.007 * | |
| | (.003) | |
| Father's earnings | -0.004 * | |
| | (.002) | |
| Mother employed | | -0.070 |
| | | (.054) |
| Father employed | | -0.097 * |
| | | (.042) |
| AFDC grant per person | -0.120 ** | -0.122 ** |
| | (.010) | (.010) |
| Constant | -1.097 | -1.057 |
| Log likelihood | -8582 | -8581 |
| Rho | .689 | .169 |
| P | .000 | .000 |

Note: Mother's earnings, father's earnings, and welfare grant amount were divided by 100.
** p<0.05  ** p<0.01*

*APPENDIX A – HECKMAN SELECTION On AID vs. Off AID.*

| | |
|---|---|
| Quarter | 0.016 ** |
| | (.006) |
| LINK-UP experiment | 0.144 ** |
| | (.030) |
| Mother's earnings | -0.021 ** |
| | (.002) |
| Father's earnings | -0.020 ** |
| | (.001) |
| Constant | 1.456 |

Note: Earnings were divided by 100.
** p<0.05  ** p<0.01*